LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7452 | **NOTE PREPARED:** Jan 19, 2013
BILL NUMBER: HB 1479 | **BILL AMENDED:**

SUBJECT: Administration of County Income Taxes.

FIRST AUTHOR: Rep. Culver | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL | **IMPACT:** State & Local
X DEDICATED
FEDERAL

Summary of Legislation: The bill provides that the local option income tax (LOIT) deposited in a county's account within the state General Fund is held by the state in trust for the county. The bill requires the Department of State Revenue (DOR) to record and track the amount of LOIT that is received from county taxpayers (either through withholding or directly from a county taxpayer) of each county for a particular taxable year.

The bill provides that in January of each year, the State Budget Agency (SBA) shall make a supplemental distribution of LOIT revenue to a county. It specifies that the amount of the supplemental distribution is equal to the amount of LOIT revenue that is received from county taxpayers for a taxable year but that was not included in a certified distribution previously made to the county for that taxable year.

Effective Date: July 1, 2013.

Explanation of State Expenditures: *Department of State Revenue (DOR):* The bill's requirements are within the agency's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

State Budget Agency (SBA): The bill requires the SBA to make a supplemental distribution in January of each year. Under current law, the SBA is required to perform a supplemental distribution once the balance of the county's account balance exceeds 150% of the county's certified distribution for the following year. The bill's requirements are within the agency's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: *Summary:* This bill changes the frequency and basis of LOIT supplemental distributions. This bill requires that in January of each year, the SBA will provide LOIT counties with a supplemental distribution equal to the amount of tax received by county taxpayers that was not included in the certified distribution previously made to the county for that taxable year. The bill may lead to indeterminable changes in LOIT revenue distributed to local units through additional supplemental distributions. Some counties may receive additional revenue because they would receive tax that was collected from county taxpayers, but never claimed on an annual return. However, the amount of overpayment adjustments to certified distributions may increase if money that was distributed is later claimed on a late filed return.

Additional Background: Under current law, a county's certified distribution for a given calendar year is based on the taxes received from that county and reported on the annual returns and amended returns processed in the state fiscal year that ends in the preceding calendar year. For example, the certified distribution for CY 2014 would have to be determined by the SBA by August 1, 2013. The SBA would use the returns processed by the DOR between July 1, 2012, and June 30, 2013, to compute the certified distribution for CY 2014. Probably about 95% of the tax returns that will be processed in FY 2013 will apply to tax year 2012, with the remainder applicable to tax year 2011.

Following the same example above, this bill would give counties a supplemental distribution in January of CY 2015. It would equal the amount of tax received for tax year 2012 but was not included in the certified distribution for CY 2014. This distribution would consist mainly of withholding and estimated tax payments for tax year 2012 that were never claimed on an annual return. However, the supplemental distribution may contain late filed returns for tax year 2012. Currently, those returns would be included in a subsequent certified distribution, so an adjustment may be required to remove returns included in supplemental distributions when determining a current certified distribution.

Under the current law, the SBA will provide a supplemental distribution when they determine the balance in a county account exceeds 150% of the certified distribution to be made in the ensuing year. The supplemental distribution equals the amount that exceeds 150% of the certified distribution to be made to the counties in the ensuing year.

State Agencies Affected: Department of State Revenue; State Budget Agency.

Local Agencies Affected: Counties with a local option income taxes.

Information Sources:

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